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110TH CONGRESS
1ST SESSION

H. R. 4181

To reform Social Security retirement and Medicare by establishing a Personal Social Security Savings Program to create a safer, healthier, more secure, and more prosperous retirement for all Americans and to reduce the burden on young Americans.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 14, 2007

Mr. FLAKE introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and Labor, Budget, Energy and Commerce, and Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To reform Social Security retirement and Medicare by establishing a Personal Social Security Savings Program to create a safer, healthier, more secure, and more prosperous retirement for all Americans and to reduce the burden on young Americans.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Securing Medicare and Retirement for Tomorrow Act of 2007" or as the "SMART Act of 2007".

(b) TABLE OF CONTENTS.—The table of contents is as follows:

Sec. 1. Short title and table of contents.
Sec. 2. Establishment of Personal Social Security Savings Program.

"PART A—INSURANCE BENEFITS

"PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

"Sec. 251. Definitions.
"Sec. 252. Establishment and maintenance of personal social security accounts.
"Sec. 253. Designation of qualified social security mutual funds.
"Sec. 254. Distribution of social security retirement benefits.
"Sec. 255. Enforcement of contribution requirements.
"Sec. 256. Personal Accounts Management and Review Board.
Sec. 3. Medicare program revision.
Sec. 4. Employment taxes, tax on self-employment income.
Sec. 5. Tax treatment of distributions.
Sec. 6. Federal budget reforms.
Sec. 7. Change in Consumer Price Index used for cost-of-living increases.

SEC. 2. ESTABLISHMENT OF PERSONAL SOCIAL SECURITY SAVINGS PROGRAM.

(a) IN GENERAL.—Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

(1) by inserting before section 201 (42 U.S.C. 401) the following:

"PART A—INSURANCE BENEFITS";

and

(2) by adding at the end the following new part:

"PART B—PERSONAL SOCIAL SECURITY SAVINGS PROGRAM

"SEC. 251. DEFINITIONS.

"For purposes of this part—

"(1) PARTICIPATING INDIVIDUAL.—The term 'participating individual' means any individual—

"(A)(i) who has received wages on which there is imposed a tax under section 3101(a) of the Internal Revenue Code of 1986, or

"(ii) who has derived self-employment income on which there is imposed a tax under section 1401(a) of such Code, and

"(B) who has not attained retirement age as of January 1 of the calendar year following the date of the enactment of the SMART Act of 2007.

"(2) EMPLOYER.—The term 'employer' means an employer within the meaning of section 3111 of the Internal Revenue Code of 1986.

"(3) PART A RETIREMENT BENEFIT.—The term 'part A retirement benefit' means, in connection with a participating individual—

"(A) an old-age insurance benefit provided under section 202(a); and

"(B) a wife's or husband's insurance benefit under subsection (b) or (c) of section 202

based on the wages and self-employment income of the participating individual.

"(4) PART B BENEFIT.—The term 'part B benefit' means, in connection with a participating individual, the total amount which is credited to all personal social security accounts of the participating individual as of the date on which the participating individual attains retirement age (or, if earlier, dies).

"(5) BOARD.—The term 'Board' means the Personal Accounts Management and Review Board established under section 255.

"(6) PERSONAL SOCIAL SECURITY ACCOUNT.—

"(A) IN GENERAL.—The term 'personal social security account' of an individual means a trust (established pursuant to section 252) created or organized in the United States for the exclusive benefit of a participating individual or such individual's beneficiaries, but only if the written governing instrument creating the trust meets the following requirements:

"(i) Except in the case of amounts transferred from other personal social security accounts pursuant to a merger or transfer authorized under subsection (e) or

(f) of section 252, no contribution will be accepted unless it is in cash.

"(ii) The trustee is—

"(I) a bank (as defined in subparagraph (B)), or

"(II) such other person who demonstrates to the satisfaction of the Board that the manner in which such other person will administer the trust will be consistent with the requirements of this part.

"(iii) The written governing instrument provides for investment of the assets of the trust in accordance with the provisions of this part. No amount of the assets of the trust will be invested in any form or manner other than as authorized by this part.

"(iv) The interest of an individual in the balance of the individual's account is nonforfeitable, except as provided in subsections (e) and (f)(3) of section 254.

"(v) The assets of the trust will not be commingled with other property.

"(B) BANK.—For purposes of subparagraph (A)(ii), the term 'bank' means—

"(i) any bank (as defined in section 581 of the Internal Revenue Code of 1986),

"(ii) an insured credit union (within the meaning of paragraph (6) or (7) of section 101 of the Federal Credit Union Act), and

"(iii) a corporation which, under the laws of the State of its incorporation, is subject to supervision and examination by the Commissioner of Banking or other officer of such State in charge of the administration of the banking laws of such State.

"(7) PART B PERSONAL SOCIAL SECURITY CONTRIBUTION.—The term 'part B personal social security contribution' for any calendar year means an amount equal to the sum of—

"(A) the amount of the taxes imposed under section 3101(a) of the Internal Revenue Code of 1986 (without regard to subsection (d) thereof) on the wages paid to such individual during such calendar year, plus

"(B) 50 percent of the amount of the taxes imposed under section 1401(a) of such Code (without regard to subsections (d) and (e) thereof) on the self-employment income derived by such individual during the taxable year ending with or during such calendar year.

"(8) QUALIFIED SOCIAL SECURITY ANNUITY.—The term 'qualified social security annuity' is an annuity approved by the Board for purchase pursuant to section 254(d) with amounts available as part B benefits.

"(9) QUALIFIED SOCIAL SECURITY MUTUAL FUND.—The term 'qualified social security mutual fund' means an entity so designated pursuant to section 253.

"(10) RETIREMENT AGE.—The term 'retirement age' has the meaning provided under section 216(l).

"(11) SOCIAL SECURITY ESCROW FUND.—The term 'Social Security Escrow Fund' means the fund established under section 201(a).

"SEC. 252. ESTABLISHMENT AND MAINTENANCE OF PERSONAL SOCIAL SECURITY ACCOUNTS.

"(a) FUNDING AND INVESTMENT OF PERSONAL SOCIAL SECURITY ACCOUNTS.—

"(1) EMPLOYEES.—Not later than each due date for payment by any employer, pursuant to subtitle C of the Internal Revenue Code of 1986, of the taxes imposed under section 3101(a) of such Code on the wages paid to any participating individual, such employer shall—

"(A) make the payment required under subsection (b)(2)(B) to the participating individual's personal social security account established under subsection (b)(1), and

"(B) provide for investment, under the terms of the account, of the amount paid to the account in a qualified social security mutual fund designated by such individual as provided in subsection (d).

"(2) SELF-EMPLOYED PERSONS.—Not later than 15 days after each due date for payment of taxes imposed under section 1401 of the Internal Revenue Code of 1986 on self-employment income derived by any participating individual during any taxable year, such participating individual shall—

"(A) pay an amount equal to such participating individual's part B personal social security contribution described in section 251(7)(B) into such individual's personal social security

account established pursuant to subsection (c)(1), and

"(B) provide for investment of such amount in a qualified social security mutual fund designated by such individual as provided in subsection (d).

"(3) EFFECT OF AUDITS OR ERRORS REGARDING TRANSFERS.—In the event of any transfer of an incorrect amount under this subsection, proper adjustments shall be made in amounts subsequently transferred pursuant to this subsection to the extent the incorrect amount was in excess of or was less than the correct amount, in accordance with regulations prescribed by the Board.

"(b) ESTABLISHMENT OF ACCOUNTS BY EMPLOYERS.—

"(1) IN GENERAL.—Each employer shall establish and maintain for each participating individual employed by such employer a personal social security account under a social security payroll deduction plan.

"(2) REQUIREMENTS OF PLAN.—For purposes of this part, the term 'social security payroll deduction plan' means, in connection with a participating

individual, a written plan of an employer with respect to which the following requirements are met:

"(A) Such individual is an employee of such employer and the plan applies only with respect to wages paid by such employer to such individual.

"(B) Under such plan, the portion of such wages consisting of each such participating individual's part B personal social security contribution described in section 251(7)(A) for the calendar year will be deducted from such individual's wages and paid to a personal social security account maintained by such employer for such individual, in accordance with subsection (a)(1).

"(C) The employer receives no compensation for the cost of administering such plan.

"(D) The employer does not make any endorsement with respect to any qualified social security mutual funds selected by the employer for purposes of investment under subsection (d) of amounts held in any personal social security account.

"(c) PARTICIPATION BY SELF-EMPLOYED INDIVIDUALS.—Each participating individual who receives self-

employment income for any taxable year beginning on or after January 1 of the calendar following the date of the enactment of the SMART Act of 2007 shall, in such form and manner as shall be prescribed in regulations of the Board, establish and maintain a personal social security account for purposes of holding and investing such participating individual's part B personal social security contribution described in section 251(7)(B) for such taxable year, in accordance with subsection (a)(2).

"(d) INVESTMENT OF PERSONAL SOCIAL SECURITY ACCOUNT FUNDS.—

"(1) INVESTMENT IN QUALIFIED SOCIAL SECURITY MUTUAL FUNDS.—Except as provided in paragraph (4), amounts held during any calendar year in a participating individual's personal social security account maintained by such individual's employer shall be invested during such year only in one qualified social security mutual fund designated by the participating individual to such employer in accordance with this subsection not later than November 30 of the preceding year.

"(2) SELECTION OF FUNDS BY EMPLOYERS.—

"(A) IN GENERAL.—Except as provided in paragraph (4), in connection with the investment of amounts held during any calendar year

in personal social security accounts maintained by an employer, such employer shall select, not later than November 1 of the preceding year, 5 qualified social security mutual funds from among which the participating individual for whom each account is maintained may make the designations required under paragraph (1). During the 15-day period beginning on such November 1, each employer shall provide to each participating individual employed by such employer during such period a current prospectus regarding each of the 5 qualified social security mutual funds selected by the employer, together with such supplemental information as may be selected by the employer and such information as may be required by the Board.

"(B) DEFAULT FUND.—The employer shall designate one of the qualified social security mutual funds selected pursuant to subparagraph (A) as the default fund. In the case of the failure of a participating individual to make a timely designation of a qualified social security mutual fund pursuant to paragraph (1), the individual shall be deemed to have designated the default fund as the qualified social

security mutual fund in which amounts held in the individual's personal social security account will be invested.

"(3) SELF-EMPLOYED INDIVIDUALS.—

"(A) GENERAL RULE.—Except as provided in paragraph (4), in the case of amounts held by any participating individual in a personal social security account maintained pursuant to subsection (c) during any calendar year, the participating individual shall invest such amounts during such calendar year in one qualified social security mutual fund designated by such individual not later than November 30 preceding such year, in such form and manner as shall be prescribed by the Board. In any case in which any such participating individual does not make a timely designation in accordance with the preceding sentence with respect to amounts held during any calendar year, the terms governing the personal social security account shall provide for designation of a qualified social security mutual fund as the default mutual fund in which amounts held in the account will be invested.

"(B) TREATMENT OF SELF-EMPLOYED INDIVIDUALS WHO ARE EMPLOYERS.—Notwithstanding subparagraph (A), in any case in which a participating individual described in subparagraph (A) in connection with investment of amounts described in subparagraph (A) during any calendar year is an employer of participating individuals who has, pursuant to paragraph (2), selected qualified social security mutual funds for investment by such participating individuals during such calendar year, any designation by such employer under subparagraph (A) of a qualified social security mutual fund for investment of such amounts described in subparagraph (A) during such calendar year shall be from those qualified social security mutual funds so selected pursuant to paragraph (2).

"(4) NEWLY ESTABLISHED ACCOUNTS.—In the case of a newly established personal social security account maintained by an employer for an employee pursuant to subsection (b) or by a self-employed individual pursuant to subsection (c), the requirements of the preceding paragraphs of this subsection shall be treated as satisfied in a timely manner with re-

spect to amounts held in the account during the calendar year in which the account is established and the next following calendar year if such amounts are invested as otherwise provided in such paragraphs within 30 days after the date of the establishment of such account.

"(e) MULTIPLE PERSONAL SOCIAL SECURITY ACCOUNTS.—

"(1) IN GENERAL.—In any case in which—

"(A) payments are required to be made under subsection (b)(1) during any calendar year by 2 or more employers in connection with the same participating individual, or

"(B) payments are required to be made during any calendar year by 1 or more employers under subsection (b)(1) in connection with a participating individual and by such participating individual under subsection (c)(1),

separate personal social security accounts may be maintained by or for such participating individual for purposes of accepting payments made by each employer and by the participating individual.

"(2) MERGER OF ACCOUNTS.—The Board shall prescribe by regulation procedures by which a participating individual may merge 2 or more personal

social security accounts of such participating individual into a single personal social security account.

"(f) TRANSFERS BETWEEN ACCOUNTS UPON TERMINATION OF EMPLOYMENT.—

"(1) IN GENERAL.—Not later than 90 days after the date of the termination of employment of a participating individual by an employer, such individual shall, in accordance with regulations of the Board, arrange for disinvestment of amounts held in the personal social security account established by such employer for such individual and transfer of the amounts held in such account to—

"(A) any personal social security account established by the employer in connection with subsequent employment of such individual commencing within such 90-day period, or

"(B) in any case in which, during such 90-day period, no personal social security account is established in connection with subsequent employment of such individual, a personal social security account established by such individual as provided in subsection (b)(1) as if such individual were self-employed.

"(2) DISREGARD OF CERTAIN BREAKS IN SERVICE.—The Board shall provide rules for determining

whether an individual's employment has been terminated for purposes of this subsection under which breaks in service for any period occurring on a seasonal or other regular basis each year are disregarded in the case of any type of service with respect to which the customary period of employment during each calendar year excludes such period.

"(3) PROCEDURE.—In accordance with regulations of the Board, in the case of any termination of employment by an employer of a participating employee, the terms of the personal social security account of the participating employee maintained by such employer and of the qualified social security mutual fund designated for purposes of investment of amounts held in such account shall provide for any disinvestment and transfer required under paragraph (1).

"(g) DISTRIBUTIONS.—Distributions of amounts held in personal social security accounts (other than reasonable investment fees and administrative expenses) shall be made—

"(1) only as provided in section 254(d) (except as otherwise provided in section 254(e)), or

"(2) for purposes of effecting mergers of accounts pursuant to subsection (e)(2) or transfers to

other personal social security accounts pursuant to subsection (f).

"(h) PROPERTY RIGHTS OF PARTICIPATING INDIVIDUAL.—Amounts held in a participating individual's personal social security account—

"(1) are the property of such participating individual, and

"(2) except as provided in subsections (e)(2) and (f)(3) of section 254, shall not be transferrable or assignable, at law or in equity, and shall not be subject to execution, levy, attachment, garnishment, or other legal process, or to the operation of any bankruptcy or insolvency law.

"SEC. 253. DESIGNATION OF QUALIFIED SOCIAL SECURITY MUTUAL FUNDS.

"(a) IN GENERAL.—The Board shall establish a program for designating entities as qualified social security mutual funds for purposes of investment of amounts held in personal social security accounts.

"(b) APPLICATION PROCESS.—An entity may be designated by the Board as a qualified social security mutual fund only upon the filing by such entity of an application to the Board at such time, in such manner, and containing such information as the Board may require.

"(c) MINIMUM QUALIFICATIONS OF QUALIFIED SOCIAL SECURITY MUTUAL FUNDS.—

"(1) IN GENERAL.—An entity may be designated by the Board as a qualified social security mutual fund only if such entity—

"(A) is an investment company;

"(B) is registered with the Securities and Exchange Commission as an investment company and has been so registered for no fewer than 10 years;

"(C) has been publicly traded or available to the public for purchase and redemption for no fewer than 10 years;

"(D) at the time of application, has a market capitalization of at least $100,000,000;

"(E) has not been subject to civil or criminal penalty with respect to its securities or investment operations by any government agency within the past 10 years; and

"(F) is managed by a corporation, partnership, limited liability company, or other person that—

"(i) is incorporated, created, or organized in the United States, and

"(ii) has not been subject to civil or criminal penalty with respect to its securities or investment operations by any government agency within the past 10 years.

"(2) INVESTMENT COMPANY.—For purposes of this subsection, the term 'investment company' has the meaning provided in section 3 of the Investment Company Act of 1940.

"(d) OPERATIONAL REQUIREMENTS OF QUALIFIED SOCIAL SECURITY MUTUAL FUNDS.—Each qualified social security mutual fund shall—

"(1) comply with all regulations prescribed by the Board;

"(2) enter into any agreement with the Board that the Board may require;

"(3) provide the Commissioner of Social Security with such information as the Commissioner may require to meet the requirements of section 254(b);

"(4) comply with all securities laws (as defined in section 3(a)(47) of the Securities Exchange Act of 1934);

"(5) comply with the fiduciary standards established by section 404(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(a));

"(6) maintain its registration described in subsection (c)(1);

"(7) invest in the securities of no fewer than 50 issuers;

"(8) allow no single security to account for more than 5 percent of the fund's net asset value;

"(9) invest solely in securities issued by corporations, trusts, partnerships, or limited liability companies whose principal place of business is located in the United States (or, in the case of investments made in investment companies, solely in investment companies in which at least 90 percent of the underlying securities are those of corporations, trusts, partnerships, or limited liability companies whose principal place of business is located in the United States);

"(10) not invest in government securities;

"(11) provide quarterly statements to each participating individual invested in the qualified social security mutual fund of the value of the participating individual's investment and the change in value during the preceding quarter and preceding year (if applicable); and

"(12) provide to the Board (in a form prescribed by the Board) at least the following information—

"(A) not later than March 1 of each calendar year, the value of each participating individual's investment in the qualified social security mutual fund at the end of the preceding calendar year;

"(B) within 30 days after any transfer to another qualified social security mutual fund, notification of such transfer; and

"(C) within 30 days after any distribution to a participating individual, notification of such distribution.

"(e) REQUIRED NUMBER AND TYPES OF QUALIFIED SOCIAL SECURITY MUTUAL FUNDS.—

"(1) MINIMUM NUMBER.—The Board shall take such actions as are necessary to maintain a number of entities designated as qualified social security mutual funds of not fewer than 150.

"(2) TYPE.—The Board shall ensure that, of entities which are currently designated qualified social security mutual funds as of any time—

"(A) not fewer than 75 maintain a portfolio invested solely in common stocks; and

"(B) not fewer than 50 maintain a portfolio invested in a mix of bonds and debentures and common stocks such that at least 50 percent (by value) is invested in common stocks.

"(f) CRITERIA FOR DESIGNATION AS QUALIFIED SOCIAL SECURITY MUTUAL FUND.—

"(1) LIMITATION ON COMMON INVESTMENT MANAGERS.—Under regulations which shall be prescribed by the Board, not more than 15 entities managed by the same investment manager may be currently treated as of any time as qualified social security mutual funds. For purposes of this paragraph, the reference to an investment manager shall include a reference to any affiliated person thereof (as defined in section 2(a)(3) of the Investment Company Act of 1940).

"(2) CRITERIA FOR DESIGNATION.—In determining whether to designate an entity as a qualified social security mutual fund, the Board shall include in matters taken into account at least the following:

"(A) the investment fees and administrative expenses that such entity will incur;

"(B) the financial performance of such entity;

"(C) appropriateness of the entity's diversification; and

"(D) the administrative efficiency and accuracy of the entity.

"(3) ADDITIONAL CRITERIA.—The Board may establish additional criteria for designation as a qualified social security mutual fund and shall publish such criteria in advance of initiating the application process.

"(g) ENFORCEMENT; LOSS OF DESIGNATION AS QUALIFIED SOCIAL SECURITY MUTUAL FUND.—

"(1) LOSS OF DESIGNATION FOR NON-COMPLIANCE.—The Board shall withdraw the designation of any entity as a qualified social security mutual fund if the entity fails to substantially comply with this section. Any such withdrawal shall be effective immediately upon a finding of non-compliance by the Board, after notice and opportunity for an administrative hearing.

"(2) INTERMEDIATE OR ADDITIONAL SANCTIONS.—

"(A) IN GENERAL.—The Board may impose fines on any person who manages a qualified social security mutual fund for any violation of this section with respect to such fund.

Any such fine may not exceed the investment fees and other income to such person arising from the management of the qualified social security mutual fund for the 3 preceding calendar years (or, in the case of a qualified social security mutual fund that has not been so designated for the 3 preceding years, 3 times the projected or actual investment fees and other income arising from the management of the qualified social security mutual fund for the most recent calendar year for which such fund was so designated). Such fines may be imposed in addition to loss of designation as a qualified social security mutual fund or in lieu of loss of such designation, at the discretion of the Board.

"(B) ENFORCEMENT.—The Board may bring a civil action against any person referred to in subparagraph (A) to enforce any fine imposed under such subparagraph. Such action may be brought in the United States District Court for the District of Columbia or in any district court of the United States within the jurisdiction of which such person resides or does business, and process may be served in

any district where such person resides, does business, or may be found.

"(3) LOSS OF DESIGNATION FOR POOR PERFORMANCE.—The Board may withdraw the designation of those qualified social security mutual funds, equal in number to 10 percent of the total number of qualified social security mutual funds, determined annually by the Board to be the lowest performing, except that the designation of any such fund may be withdrawn under this paragraph only if the Board determines that the entity that would be newly designated by the Board as a replacement would be more qualified. The determination of performance shall be made by comparing total return, taking into account, together with any other factors determined relevant by the Board, all investment income, gains or losses, administrative expenses, and investment fees over a period of time to be determined by the Board. A withdrawal under this paragraph shall be effective at the end of the calendar year in which the withdrawal determination is made, after notice and opportunity for an administrative hearing.

"(4) TRANSFERS.—The Board shall seek instructions by mail from all participating individuals whose personal social security account is invested, in

whole or in part, in a qualified social security mutual fund that has had its designation withdrawn pursuant to paragraph (1) or (3) regarding other qualified social security mutual funds to which the participating individual would like the invested funds transferred. If such instructions are not received by the Board within 45 days (in case of a withdrawal of designation under paragraph (1)) or within 1 year (in the case of a withdrawal of designation under paragraph (3)), then the distribution shall be made to a randomly selected qualified social security mutual fund that is invested in a mix of bonds and debentures and common stocks such that at least 80 percent (by value) is invested in common stocks.

"SEC. 254. DISTRIBUTION OF SOCIAL SECURITY RETIREMENT BENEFITS.

"(a) ELECTION OF PART A RETIREMENT BENEFITS IN LIEU OF PART B BENEFITS AT RETIREMENT.—

"(1) IN GENERAL.—Unless a participating individual elects, not later than 30 days after the date on which such individual attains retirement age (and not later than the date on which such individual commences distribution from his or her personal social security account as provided in subsection (d), if such date is earlier than the date on which such

individual attains retirement age), part A retirement benefits based on such individual's wages and self-employment income, such individual shall be deemed to have elected to receive part B benefits and to have forfeited any entitlement of such individual or such individual's wife, husband, divorced wife, or divorced husband to such part A retirement benefits. Any such election may be made only in a form and manner which shall be prescribed by the Commissioner of Social Security. If such individual makes a timely election of part A retirement benefits, such individual shall be deemed to have forfeited such individual's part B benefits. No such election of part A retirement benefits may be made by any individual attaining retirement age after the end of the period of 42 calendar years following the date of the enactment of the SMART Act of 2007. Any such election shall be effective only if it is in writing and signed by the participating individual, his or her wife or husband (if any), and each divorced wife or divorced husband of such individual (if any). A deemed election of part B benefits under this paragraph shall take effect only upon the mailing of a written notice of such deemed election to the spouse (if any) and each former spouse (if any) of such deemed election,

in such form as shall be prescribed by the Commissioner, to the last known mailing address of such spouse or former spouse.

"(2) DISPOSITION OF PART B BENEFITS OF PARTICIPATING INDIVIDUALS ELECTING PART A RETIREMENT BENEFITS.—Not later than 30 days after an election by a participating individual under paragraph (1) of part A retirement benefits, the Commissioner of Social Security shall notify the qualified social security mutual fund in which amounts held in any personal social security account of such individual are invested that such individual has elected part A retirement benefits. Not later than 30 days after receiving such notice, the qualified social security mutual fund shall transfer the amount of such individual's part B benefits to the Social Security Escrow Fund, and such amount shall be treated as a part of the balance of such Fund.

"(b) INFORMATION TO BE PROVIDED TO PARTICIPATING INDIVIDUALS.—

"(1) IN GENERAL.—During—

"(A) the 90-day period beginning 180 days before the date on which any participating individual attains retirement age, and

"(B) the 90-day period following a request filed by a participating individual with the Commissioner, in such form and manner as shall be prescribed by the Commissioner, after 180 days before the date on which the individual attains age 62,

the Commissioner of Social Security shall provide such individual with a retirement distribution estimate described in paragraph (2). The Commissioner shall not be required to respond to more than 1 request described in subparagraph (B) made by a participating individual during any 1-year period.

"(2) RETIREMENT DISTRIBUTION ESTIMATE.—The retirement distribution estimate described in this paragraph is the Commissioner's written estimate of—

"(A) the part A retirement benefits that the participating individual would receive, and the part A retirement benefits that any other individual would receive on the basis of the wages and self-employment income of such participating individual, if the participating individual elected part A retirement benefits pursuant to subsection (a);

"(B) the part B benefits that the participating individual would receive (including any transitional part A retirement benefits under subsection (c) of such participating individual and each individual receiving on the basis of such participating individual's wages and self-employment income) if such participating individual does not make an election of part A retirement benefits pursuant to subsection (a);

"(C) the estimated amount of the median qualified social security annuity that the part B benefits could purchase, given the current insurance market, if such benefits were used entirely to purchase such an annuity; and

"(D) the maximum permissible annual withdrawal of such part B benefits allowable under subsection (d).

"(c) TRANSITIONAL PART A RETIREMENT BENEFITS.—Notwithstanding subsection (a), a participating individual born before 1968 who does not elect part A retirement benefits pursuant to subsection (a), and each individual who would be entitled to any such benefit on the basis of such participating individual's wages and self-employment income if such participating individual had made such an election, shall be entitled to a transitional part

A retirement benefit. The transitional part A retirement benefit shall be equal to the product of the part A retirement benefit that would have been received if such an election had been made and the part A retirement benefit percentage set forth in connection with the participating individual's year of birth, as set forth in the following table:

"If the year of birth is:	**The part A retirement benefit percentage is:**
1944	98 percent
1945	96 percent
1946	94 percent
1947	92 percent
1948	90 percent
1949	87 percent
1950	84 percent
1951	81 percent
1952	78 percent
1953	75 percent
1954	71 percent
1955	67 percent
1956	63 percent
1957	59 percent
1958	55 percent
1959	50 percent
1960	45 percent
1961	40 percent
1962	35 percent
1963	30 percent
1964	24 percent
1965	18 percent
1966	12 percent
1967	6 percent

"(d) DISTRIBUTIONS OF PART B BENEFITS AND DISTRIBUTION LIMITS.—

"(1) IN GENERAL.—Subject to the limitations provided in this subsection, a participating individual who has not made a timely election of part A retirement benefits under subsection (a) may with-

draw from any personal social security account of such individual all or any portion of the balance in such account.

"(2) MINIMUM AGE FOR WITHDRAWAL.—Withdrawals by an individual from such individual's personal social security account may be made only after such individual has attained age 62.

"(3) ANNUAL 10-PERCENT LIMITATION.—

"(A) IN GENERAL.—Except as provided in subsection (f) and paragraph (4), the maximum permissible total withdrawal during any 1-year period by a participating individual from all of such individual's personal social security accounts is 10 percent of the aggregate value of the amounts held in such accounts at the close of the preceding calendar year.

"(B) LIMITATION WITH RESPECT TO QUALIFIED SOCIAL SECURITY MUTUAL FUND.—The terms governing the qualified social security mutual fund in which are invested a participating individual's part B benefits held in any personal social security account shall prohibit distributions to such individual during any 1-year period of such part B benefits to the extent that the total amount of such distributions

exceed 10 percent of the value of the part B benefits held in such account at the close of the preceding calendar year.

"(C) INTERCHANGE OF INFORMATION.—The Board shall provide by regulation for the interchange of information between the managers of personal social security accounts and between qualified social security mutual funds that is necessary to implement the requirements of this paragraph.

"(4) PURCHASE OF QUALIFIED SOCIAL SECURITY ANNUITIES.—

"(A) IN GENERAL.—Notwithstanding the paragraph (3), a participating individual may use any withdrawal permitted under paragraph (2) to purchase, in accordance with regulations which shall be prescribed by the Board, a qualified social security annuity.

"(B) QUALIFIED SOCIAL SECURITY ANNUITY.—For purposes of this paragraph, the term 'qualified social security annuity' means an annuity contract between an insurance company and a participating individual that complies with the following requirements:

"(i) The annuity contract is offered by an insurance company whose principal place of business is located in the United States.

"(ii) The annuity contract is offered by an insurance company approved for its safety and soundness by the Board.

"(iii) The insurance company entering into the annuity contract has insured the risk that it will be unable to meet its obligations with a reinsurance company (whose principal place of business may be located inside or outside the United States) that will meet the obligations of the primary insurer in the event it cannot and has been approved by the Board for its safety and soundness.

"(iv) If the annuitant is a married person at the time of the issuance of the annuity, the annuity is in the form of a qualified joint and survivor annuity. For purposes of this clause, the term 'qualified joint and survivor annuity' means an annuity—

"(I) which is for the life of the participating individual, with a survivor annuity for the life of the spouse which is not less than 50 percent of (and is not greater than 100 percent of) the amount of the annuity which is payable during the joint lives of the participating individual and the spouse, and

"(II) which is the actuarial equivalent of a single annuity for the life of the participating individual.

"(v) The terms of the annuity contract must have been approved as fair and reasonable by the Board.

"(e) PART B BENEFITS SUBJECT TO DOMESTIC RELATIONS ORDERS.—

"(1) IN GENERAL.—A participating individual's part B benefits (including any qualified social security annuity purchased with part B benefits) shall be subject to, and payable in accordance with the requirements of, any qualified domestic relations order.

"(2) QUALIFIED DOMESTIC RELATIONS ORDER.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified domestic relations order' means a domestic relations order—

"(i) which creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of the part B benefits payable with respect to a participating individual, and

"(ii) with respect to which the requirements of paragraphs (3) and (4) are met.

"(B) DOMESTIC RELATIONS ORDER.—The term 'domestic relations order' means any judgment, decree, or order (including approval of a property settlement agreement) which—

"(i) relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a participating individual, and

"(ii) is made pursuant to a State domestic relations law (including a community property law).

"(3) REQUIREMENTS.—A domestic relations order meets the requirements of this paragraph only if—

"(A) such order clearly specifies—

"(i) the name and the last known mailing address (if any) of the participating individual and the name and mailing address of each alternate payee covered by the order,

"(ii) the amount or percentage of the participating individual's part B benefits to be paid from the participating individual's personal social security account (including any qualified social security mutual fund in which they are invested) or qualified social security annuity to each such alternate payee, or the manner in which such amount or percentage is to be determined,

"(iii) the number of payments or period to which such order applies, and

"(iv) each personal social security account or qualified social security annuity to which such order applies, and

"(B) such order is directed at—

"(i) one or more qualified social security mutual funds in which amounts credited to the participating individual's personal social security account are invested, or

"(ii) if some or all of the participating individual's part B benefits have been used to purchase a qualified social security annuity, the insurance company offering such annuity.

"(4) REQUIRED SCOPE.—A domestic relations order meets the requirements of this paragraph only if such order—

"(A) does not require the provision of any type or form of benefit, or any option, not otherwise provided under the terms of the personal social security account (including the qualified social security mutual fund) or the qualified social security annuity,

"(B) does not require payments from the account or annuity of increased benefits (determined on the basis of actuarial value), and

"(C) does not require the payment of part B benefits to an alternate payee which are required to be paid to another alternate payee

under another order previously determined to be a qualified domestic relations order.

"(5) TIMING AND FORM REQUIREMENTS.—A domestic relations order shall not be treated as failing to meet the requirements of subparagraph (A) of paragraph (4) solely because such order requires that payment of benefits be made to an alternate payee—

"(A) on or after the date on which the participating attains (or would have attained) retirement age,

"(B) as if the participating individual had attained retirement age on the date on which such payment is to begin under such order (but taking into account only the present value of benefits actually accrued), and

"(C) in any form in which such benefits may be paid to the participating individual under this part (other than in the form of a joint and survivor annuity with respect to the alternate payee and his or her subsequent spouse).

"(6) RESPONSIBILITIES OF QUALIFIED SOCIAL SECURITY MUTUAL FUNDS AND INSURANCE COMPANIES.—

"(A) ACTIONS REQUIRED UPON RECEIPT OF ORDER.—In the case of any domestic relations order received by any person that is a qualified social security mutual fund or insurance company referred to in paragraph (3)(B) with respect to a personal social security account maintained for a participating individual—

"(i) such person shall promptly notify the participating individual and each alternate payee of the receipt of such order and such person's procedures for determining the qualified status of domestic relations orders, and

"(ii) within a reasonable period after receipt of such order, such person shall determine whether such order is a qualified domestic relations order and notify the participant and each alternate payee of such determination.

"(B) PROCEDURES FOR DETERMINING QUALIFIED STATUS.—Each person referred to in subparagraph (A) shall establish reasonable procedures to determine the qualified status of domestic relations orders with respect to per-

sonal social security accounts and to administer distributions of part B benefits under such qualified orders. Such procedures—

"(i) shall be in writing,

"(ii) shall provide for the notification of each alternate payee specified in a domestic relations order as entitled to payment of part B benefits with respect to the personal social security account (at the address included in the domestic relations order) of such procedures promptly upon receipt by such person of the domestic relations order, and

"(iii) shall permit an alternate payee to designate a representative for receipt of copies of notices that are sent to the alternate payee with respect to a domestic relations order.

"(f) DISTRIBUTION UPON DEATH OF PARTICIPATING INDIVIDUAL.—

"(1) IN GENERAL.—If the participating individual dies before all amounts consisting of such individual's part B benefits held in a personal social security account are otherwise distributed in accordance with this section, subject to paragraph (3),

such amounts shall be distributed, under regulations which shall be prescribed by the Board—

"(A) in any case in which one or more beneficiaries have been designated in advance, to such beneficiaries in accordance with such designation as provided in such regulations, and

"(B) in the case of any amount not distributed as described in paragraph (1), to such individual's estate.

"(2) SPOUSAL RIGHTS.—Notwithstanding any beneficiary designation made by a participating individual pursuant to paragraph (1), subject to paragraph (3), a surviving spouse of the participating individual shall be entitled to not less than one half of the deceased participating individual's part B benefits payable from the personal social security account. In any case in which compliance with the preceding sentence results in remaining amounts in the personal social security account which are insufficient to provide for distribution to other beneficiaries as provided in the terms governing the account, distributions to such other beneficiaries shall be reduced as necessary on a pro rata basis.

"(3) APPLICATION TOWARDS DEBTS.—Upon the death of the accountholder for a personal social

security account, the amount in such account shall be passed through to the estate of such deceased accountholder and, as part of such estate, shall be available, in accordance with State law, to pay debts of the accountholder, including debts of medical creditors of the accountholder.

"SEC. 255. ENFORCEMENT OF CONTRIBUTION REQUIREMENTS.

"(a) PENALTIES FOR FAILURE TO ESTABLISH SOCIAL SECURITY PAYROLL DEDUCTION PLAN.—Any employer who fails to meet the requirements of section 252(b) for any calendar year shall be subject to a civil penalty of not to exceed the greater of—

"(1) $50,000, or

"(2) $1,000 for each eligible individual of such employer as of the beginning of such calendar year.

"(b) PENALTIES FOR FAILURE TO MAKE DEDUCTIONS REQUIRED UNDER PLAN.—Any employer who fails to timely deduct in full, pursuant to section 252(a)(1), the amount from the wages of a participating individual required under an applicable social security payroll deduction plan, shall be subject to a civil penalty of not to exceed $50 for each such failure.

"(c) PENALTIES FOR FAILURE TO PAY DEDUCTED WAGES TO INDIVIDUAL SOCIAL SECURITY RETIREMENT ACCOUNT.—

"(1) IN GENERAL.—Any employer who—

"(A) fails to timely pay in full, in accordance with section 252(a)(1), such individual's part B personal social security contribution described in section 251(7)(B) to a personal social security account established and maintained for such individual pursuant to section 252(b), or

"(B) fails to timely provide for investment of any such amount, pursuant to section 252(d),

shall be liable as described in paragraph (2).

"(2) LIABILITY.—In the case of any failure described in paragraph (1) by an employer to pay or invest any amount deducted from the wages of a participating individual under a social security payroll deduction plan, the employer—

"(A) shall be subject to a civil penalty of not to exceed 20 percent of the unpaid or uninvested amount, in addition to any penalty under subsection (a), and

"(B) shall be liable to the participating individual for interest on the unpaid or

uninvested amount at a rate equal to 133 percent of the Federal short-term rate under section 1274(d)(1) of the Internal Revenue Code of 1986, calculated from the last day by which such amount was required to be so paid or invested to the date on which such amount is so paid or invested.

"(d) PENALTIES FOR FAILURE BY SELF-EMPLOYED INDIVIDUALS TO PAY CONTRIBUTIONS.—

"(1) IN GENERAL.—Any individual who—

"(A) fails to timely pay in full, as required under section 252(a)(2), such individual's part B personal social security contribution described in section 251(7)(B) to a personal social security account established and maintained by such individual pursuant to section 252(c), or

"(B) fails to timely provide for investment of any such amount, pursuant to section 252(d),

shall be liable as described in paragraph (2).

"(2) LIABILITY.—In the case of any failure described in paragraph (1) by an individual to pay an amount or provide for investment of such amount, the individual shall be subject to a civil penalty of not to exceed 20 percent of the unpaid or uninvested

amount, plus interest on the unpaid amount at a rate equal to 133 percent of the Federal short-term rate under section 1274(d)(1) of the Internal Revenue Code of 1986, calculated from the last day by which such amount was required to be so paid or invested to the date on which such amount is so paid or invested.

"(e) RULES FOR APPLICATION OF SECTION.—

"(1) PENALTIES ASSESSED BY COMMISSIONER OF SOCIAL SECURITY.—Any civil penalty assessed by this section shall be imposed by the Commissioner of Social Security and collected in a civil action.

"(2) COMPROMISES.—The Commissioner may compromise the amount of any civil penalty imposed by this section.

"(3) AUTHORITY TO WAIVE PENALTY IN CERTAIN CASES.—The Commissioner may waive the application of this section with respect to any failure if the Commissioner determines that such failure is due to reasonable cause and not to intentional disregard of rules and regulations.

"SEC. 256. PERSONAL ACCOUNTS MANAGEMENT AND REVIEW BOARD.

"(a) PERSONAL ACCOUNTS MANAGEMENT AND REVIEW BOARD ESTABLISHED.—There is hereby estab-

lished, as an independent agency in the executive branch of the Government, a Personal Accounts Management and Review Board.

"(b) COMPOSITION AND APPOINTMENT.—

"(1) IN GENERAL.—The Board shall be comprised of 9 trustees—

"(A) 3 of whom are Government trustees described in paragraph (2), and

"(B) 6 of whom are independent trustees appointed under paragraph (3).

"(2) GOVERNMENT TRUSTEES.—

"(A) IN GENERAL.—Of the Government trustees—

"(i) 1 trustee shall be an officer or employee of the Social Security Administration who shall be appointed by the Commissioner of Social Security, shall serve at the pleasure of the Commissioner, and shall remain, while serving as a member, as an officer or employee of the Social Security Administration,

"(ii) 1 trustee shall be the Secretary of the Treasury, who shall serve ex officio, and

"(iii) 1 trustee shall be an officer or employee of the Securities and Exchange Commission who shall be appointed by the Chairman of the Commission, shall serve at the pleasure of the Chairman of the Commission, and shall remain, while serving as a member, as an officer or employee of the Commission.

"(B) NO ADDITIONAL COMPENSATION.—Government trustees shall receive no additional compensation for service on the Board, subject to paragraph (4).

"(3) INDEPENDENT TRUSTEES.—

"(A) IN GENERAL.—The independent trustees shall be appointed by the President, by and with the advice and consent of the Senate, of whom one shall be designated by the President as Chairman.

"(B) LENGTH OF APPOINTMENTS.—

"(i) TERMS.—An independent trustee shall be appointed for a term of 3 years, except that of the members first appointed under subparagraph (A)—

"(I) the Chairman and one other independent trustee shall be appointed for a term of 3 years,

"(II) two other independent trustees shall be appointed for a term of 2 years, and

"(III) the two remaining independent trustees shall be appointed for a term of one year.

"(ii) VACANCIES.—

"(I) IN GENERAL.—A vacancy on the Board shall be filled in the manner in which the original appointment was made and shall be subject to any conditions that applied with respect to the original appointment.

"(II) COMPLETION OF TERM.—An individual chosen to fill a vacancy shall be appointed for the unexpired term of the trustee replaced.

"(iii) EXPIRATION.—The term of any trustee shall not expire before the date on which the trustee's successor takes office.

"(C) COMMENCEMENT OF TERMS.—The terms of the independent trustees first ap-

pointed under this paragraph shall commence on July 1 of the calendar year following the date of the enactment of the SMART Act of 2007.

"(4) EXPENSES.—A trustee shall be paid travel, per diem, and other necessary expenses under subchapter I of chapter 57 of title 5 of the United States Code while traveling away from such trustee's home or regular place of business in the performance of duties for the Board.

"(c) DUTIES.—The Personal Accounts Management and Review Board shall—

"(1) operate the Social Security Escrow Fund;

"(2) carry out its duties and responsibilities under this title;

"(3) designate and regulate qualified social security mutual funds;

"(4) designate and regulate qualified social security annuities; and

"(5) make such recommendations to the President and the Congress as it may from time to time deem advisable with respect to the operation of the programs established under this title (relating to the old age, survivors, and disability insurance program and the personal social security savings program),

title VIII (relating to special benefits relating to certain World War II veterans), title XVI (relating to supplemental security income for the aged, blind, and disabled), title XVIII (relating to Medicare), and title XIX (relating to Medicaid).

The power of the Board to regulate qualified social security mutual funds and qualified social security annuities shall not be construed to limit the regulatory authority of other Federal and State agencies that may regulate such funds or annuities.

"(d) SEAL.—The Board may adopt, alter, and use a seal.

"(e) EXERCISE OF POWERS.—

"(1) ACTION BY QUORUM.—The Board shall perform the duties and exercise the powers of the Board on a majority vote of a quorum of the Board. Two of the Government trustees plus four of the independent trustees shall constitute a quorum for the transaction of business.

"(2) VACANCIES.—A vacancy on the Board shall not impair the authority of a quorum of the Board to perform the functions and exercise the powers of the Board.

"(f) MEETINGS.—The Board shall meet—

"(1) not less than once during each month, and

"(2) at additional times at the call of the Chairman or a quorum of the Board.

"(g) LIMITATIONS ON INVESTMENTS.—The Board may not direct any person to invest or to cause to be invested any amounts held in the personal social security account of any individual in a specific qualified social security mutual fund or to dispose of or cause to be disposed of any such investment.

"(h) DISCHARGE OF RESPONSIBILITIES.—The trustees shall discharge their responsibilities solely in the interest of the participating individuals and their beneficiaries under this part.".

(b) SOCIAL SECURITY ESCROW FUND.—

(1) MERGER OF FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND INTO SOCIAL SECURITY ESCROW FUND.—Section 201 is amended by striking all that precedes subsection (g) and inserting the following:

"SOCIAL SECURITY ESCROW FUND

"Establishment of Social Security Escrow Fund

"SEC. 201. (a)(1) IN GENERAL.—There is established in the Treasury of the United States a trust fund to be known as the 'Social Security Escrow Fund'.

"(2) BALANCE OF FUND.—

"(A) IN GENERAL.—Subject to subparagraph (B), the Social Security Escrow Fund shall consist of—

"(i) the securities held by the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund and the amount standing to the credit of such Trust Funds on January 1, 2008, which securities and amount the Secretary of the Treasury shall transfer to the Social Security Escrow Fund,

"(ii) such gifts and bequests as may be made as provided in subsection (i)(1), and

"(iii) all amounts transferred to or deposited into the Social Security Escrow Fund pursuant to subsection (b).

"(B) INVESTMENTS AND DISBURSEMENTS.—The balance in the Social Security Escrow Fund shall reflect the performance of investments of amounts in the Social Security Escrow Fund attributable to transferred or deposited amounts described in subparagraph (A) and reductions incurred through any disbursements from the Social Security Escrow Fund pursuant to subsection (d).

"(3) TRUSTEES.—The Personal Accounts Management and Review Board (hereinafter in this section referred to as the 'Board') shall serve as trustees of the Social Security Escrow Fund. The Secretary of the Treasury shall serve as Managing Trustee of the Social Security Escrow Fund.

"(4) BUDGET AUTHORITY; APPROPRIATION.—This part constitutes budget authority in advance of appropriations Acts and represents the obligation of the Board to provide for the payment of amounts provided under this part. The amounts held in the Social Security Escrow Fund are hereby appropriated for payment of such amounts and shall remain available without fiscal year limitation.

"Deposits Into Social Security Escrow Fund

"(b)(1) IN GENERAL.—During each calendar year, the Secretary of the Treasury shall deposit into the Social Security Escrow Fund, from amounts available in the general fund of the Treasury, a total amount equal to the sum of—

"(A) 100 percent of the employer contribution (as defined in paragraph (3)) for the calendar year;

"(B) the amount of the taxes imposed under section 3101(b) of the Internal Revenue Code of 1986 on the wages paid during the calendar year

and the amount of the taxes imposed under section 1401(b) of such Code on self-employment income derived during taxable years ending with or during the calendar year;

"(C) amounts received pursuant to section 254(a) (relating to disposition of part B benefits of participating individuals electing to receive part A retirement benefits);

"(D) the budget reform amount (as defined in section 6(a) of the SMART Act of 2007) for the fiscal year ending during such calendar year; and

"(E) all amounts appropriated for periods during such calendar year pursuant to section 1601 (relating to supplemental security income).

"(2) TRANSFERS BASED ON ESTIMATES.—

"(A) IN GENERAL.—The amounts deposited pursuant to paragraph (1) shall be transferred in at least monthly installments to the Social Security Escrow Fund.

"(B) DETERMINATION OF AMOUNTS.—The amounts transferred under subparagraph (A) shall be transferred from time to time from the general fund of the Treasury, such amounts to be determined on the basis of estimates, made by the Commissioner of Social Security based on the best infor-

mation available and certified to the Secretary of the Treasury, of the total amount specified in paragraph (1). Proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess of or were less than the actual amounts to be transferred. The Secretary of the Treasury and the Board shall timely provide to the Commissioner of Social Security any information requested by the Commissioner that the Commissioner deems necessary to make the estimates and determinations required by this subparagraph.

"(3) EMPLOYER CONTRIBUTION.—For purposes of paragraph (1)(A), the term 'employer contribution' means, for any calendar year, the sum of—

"(A) the amount of the taxes imposed under section 3111 of the Internal Revenue Code of 1986 with respect to the wages paid during the calendar year, and

"(B) 50 percent of the amount of the taxes imposed under section 1401 of such Code on self-employment income derived during taxable years ending with or during such calendar year.

"Investment of Amounts Held in the Social Security Escrow Fund

"(c) The Board shall invest the amounts held in the Social Security Escrow Fund in a diversified portfolio of investment grade bonds and debentures issued by corporations, partnerships, limited liability companies, or trusts, whose principal places of business are located in the United States.

"Disbursements From Social Security Escrow Fund

"(d)(1) IN GENERAL.—Except as provided in this section, the sums in the Social Security Escrow Fund shall be available for disbursement solely—

"(A) for payment by the Board, in accordance with certifications by the Commissioner of Social Security pursuant to section 205(i), of—

"(i) part A retirement benefits;

"(ii) monthly insurance benefits under subsections (d), (e), (f), (g), and (h) of section 202;

"(iii) disability insurance benefits under section 223;

"(iv) lump sum death benefits under section 202(i);

"(B) for payment by the Board, in accordance with certifications which shall be made by the Com-

missioner of Social Security, of supplemental security income benefits under title XVI;

"(C) for transfers to the Federal Hospital Insurance Trust Fund, in the amount of Medicare benefits provided under part A of title XVIII;

"(D) for administrative expenses payable pursuant to subsection (f); and

"(E) to the extent there are excess funds as of the end of any fiscal year, for transfer to the general fund of the Treasury pursuant to paragraph (2)(A).

"(2) TREATMENT OF EXCESS FUNDS IN THE SOCIAL SECURITY ESCROW FUND.—

"(A) IN GENERAL.—In any case in which there are excess funds in the Social Security Escrow Fund as of the end of any fiscal year, the Secretary of the Treasury shall, as soon as practicable after the end of such fiscal year, transfer from the such Fund to the general fund of the Treasury an amount equal to the amount of such excess funds.

"(B) BUDGETARY RULES IN CONNECTION WITH EXCESS FUNDS.—For budgetary rules relating to excess funds in the Social Security Escrow Fund, see section 316 of the Congressional Budget Act of 1974 (relating to dedication of social security surpluses to reduction in the public debt).

"(3) EXCESS FUNDS.—For purposes of this subsection, the term 'excess funds' means, in connection with any fiscal year, funds held by the Social Security Escrow Fund as of the end of the fiscal year in excess of $100 billion that the Commissioner of Social Security determines will not be necessary in the Social Security Escrow Fund, taking into account projected receipts of such Fund and projected outlays of such Fund, to meet the obligations set forth in subparagraphs (A) through (D) of paragraph (1) within the next 20 years.

"(4) LIMITATION.—The sums in the Social Security Escrow Fund shall not be appropriated for any purpose other than the purposes specified in this section and may not be used for any other purpose.

"Borrowing Authorized

"(e) If the amounts held by Social Security Escrow Fund are insufficient to pay the disbursements authorized and required by this section, the Board may issue to the Secretary of the Treasury notes or other obligations in an aggregate amount equal to the amount of the insufficiency, in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by such Secretary. Such notes or other obligations shall bear interest at a rate determined by such Secretary, taking into consideration the current average

market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of such notes or other obligations of the Board. Such Secretary shall purchase any notes or other obligations issued by the Board under this subsection, and for that purpose such Secretary may use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under that chapter are extended to include any purchase of such notes and obligations. Such Secretary may at any time sell any of the notes or other obligations acquired by such Secretary under this subsection. All redemptions, purchases, and sales by such Secretary of such notes or other obligations shall be treated as public debt transactions of the United States.

"Government Accountability Office Report

"(f)(1) IN GENERAL.—The Comptroller General of the United States shall annually audit the financial statements of the Social Security Escrow Fund and report to each House of the Congress on—

"(A) the operations of the Social Security Escrow Fund,

"(B) the reasonableness of the administrative expenses incurred,

"(C) the advisability of the investments made with funds in the Social Security Escrow Fund, and

"(D) such other matters as the Comptroller General may deem desirable.

"(2) RECOMMENDATIONS.—The Secretary of the Treasury, the Commissioner of Social Security, and the Board shall timely provide the Comptroller General with whatever information is requested by the Comptroller General. The Comptroller General shall, in the Comptroller General's report, make recommendations to each House of the Congress and the Board as he deems appropriate or advisable.".

(2) CONFORMING AMENDMENTS; RULE OF CONSTRUCTION.—

(A) AMENDMENTS TO SECTION 201.—Section 201 of such Act is amended further—

(i) in subsection (g)(1)(A), by striking "Managing Trustee of the Trust Funds" and all that follows through "into the Treasury" and inserting "Secretary of the Treasury shall pay from the Social Security Escrow Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Insurance Trust Fund

(hereinafter in this paragraph referred to as the 'Trust Funds') into the Treasury";

(ii) by striking "Managing Trustee" each place such term otherwise appears and inserting "Secretary of the Treasury";

(iii) by striking the last 2 sentences of subsection (g)(1)(A);

(iv) in subsection (g)(1)(B)(i), by striking subclauses (II) and (III) and inserting the following:

"(II) the portion of such costs which should have been borne by the Social Security Escrow Fund,",

and by redesignating subclasses (IV) and (V) as subclauses (III) and (IV), respectively;

(v) in subsection (g)(1)(C), by striking "Secretary shall" and inserting "Secretary of Health and Human Services shall";

(vi) in subsection (g)(1)(C)(ii), by inserting "of Health and Human Services" after "Secretary";

(vii) in subsection (g)(1)(D), by inserting "of Health and Human Services" after "Secretary";

(viii) in subsection (g)(2), by striking the last sentence;

(ix) in subsection (g)(4), by striking "Board of Trustees of such Trust Funds" and inserting "Board", and by striking "Boards of Trustees of such Trust Funds consider such action advisable, they" and inserting "Board considers such action advisable, the Board";

(x) by striking subsection (h);

(xi) in subsection (i)(1), by striking "the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund," and inserting "the Social Security Escrow Fund,";

(xii) in subsection (i)(2)(B), by striking "Federal Old-Age and Survivors Insurance Trust Fund" and inserting "Social Security Escrow Fund";

(xiii) in subsection (j), by striking "the Federal Old-Age and Survivors Insurance Trust Fund, or the Federal Disability Insurance Trust Fund (as determined appropriate by the Commissioner of Social

Security)'' and inserting ''the Social Security Escrow Fund'';

(xiv) in subsection (k), by striking ''the Federal Disability Insurance Trust Fund and the Federal Old-Age Insurance Trust Fund, as determined appropriate by the Commissioner of Social Security'' and inserting ''the Social Security Escrow Fund'';

(xv) by striking subsection (l);

(xvi) in subsection (m)(3), by striking ''one of the Trust Funds'' and inserting ''the Social Security Escrow Fund'', and by striking ''such Trust Fund'' each place it appears and inserting ''such Fund'';

(xvii) by striking subsection (n); and

(xviii) by redesignating subsections (i), (j), (k), and (m) (as amended by this subparagraph) as subsections (h), (i), (j), and (k), respectively.

(B) OTHER CONFORMING AMENDMENTS.—

(i) Title II of the Social Security Act is amended—

(I) in section 202(x)(2)(B)(iii) (42 U.S.C. 402(x)(2)(B)(iii)), by

striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, as appropriate," and inserting "the Social Security Escrow Fund";

(II) in section 206(d)(5) (42 U.S.C. 406(d)(5)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, as appropriate" and inserting "the Social Security Escrow Fund";

(III) in section 208(b)(5) (42 U.S.C. 408(b)(5)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund, or the Federal Disability Insurance Trust Fund, as appropriate" and inserting "the Social Security Escrow Fund";

(IV) in section 215(i)(1)(F) (42 U.S.C. 415(i)(1)(F)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund" each place it ap-

pears and inserting "the Social Security Escrow Fund";

(V) in section 217(g)(1)(A) (42 U.S.C. 417(g)(1)(A)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and" and inserting "the Social Security Escrow Fund and";

(VI) in section 221(e) (42 U.S.C. 421(e)), by striking the last sentence;

(VII) in section 222(d)(1) (42 U.S.C. 422(d)(1)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund";

(VIII) by striking section 222(d)(4) (42 U.S.C. 422(d)(4)) and inserting the following:

"(4) The Commissioner of Social Security shall determine according to such methods and procedures as the Commissioner may deem appropriate the total amount to be reimbursed by money paid from the

Social Security Escrow Fund for the cost of services under this subsection."; and

(IX) in section 228(g) (42 U.S.C. 428(g)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund" and inserting "the Social Security Escrow Fund".

(ii) Title VII of such Act is amended—

(I) in section 703(j) (42 U.S.C. 903(j)), by striking "the Federal Disability Insurance Trust Fund, the Federal Old-Age and Survivors Insurance Trust Fund," and inserting "the Social Security Escrow Fund";

(II) in section 709 (42 U.S.C. 910), by striking "the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, or the Federal Supplementary Medical Insurance Trust Fund determines at any time that the balance ratio of any such

Trust Fund'' in subsection (a) and inserting ''the Personal Accounts Management and Review Board or the Board of Trustees of the Federal Hospital Insurance Trust Fund or the Federal Supplementary Medical Insurance Trust Fund determines at any time that the balance ratio of the trust fund consisting of the Social Security Escrow Fund (in the case of the Personal Accounts Management and Review Board) or either the Federal Hospital Insurance Trust Fund or the Federal Supplementary Medical Insurance Trust Fund (in the case of such Board of Trustees)'', by striking ''for amounts which will be paid from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund,'' and inserting ''for amounts which will be paid from the Social Security Escrow Fund,'' and by striking ''Trust Fund'' each other place it appears and inserting ''trust fund''; and

(III) in section 710(a) (42 U.S.C. 911(a)) by striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund".

(iii) Title XI of such Act is amended—

(I) in section 1106 (42 U.S.C. 1306), by striking by striking "the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund,";

(II) in section 1129(e)(2)(A) (42 U.S.C. 1320a–8(e)(2)(A)), by striking "shall be transferred" and all that follows and inserting "shall be transferred to the Secretary of the Treasury, and such amounts shall be deposited by such Secretary into the Social Security Escrow Fund.";

(III) in section 1145(c) (42 U.S.C. 1320b–15(c)), by striking paragraphs (1) and (2) and inserting the following:

"(1) the Social Security Escrow Fund;",

and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively; and

(IV) in section 1148(j)(1)(A) (42 U.S.C. 1320b–19(j)(1)(A)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund", and by striking the last sentence.

(iv) Title XVIII of such Act is amended—

(I) in section 1817in section 1817(g) (42 U.S.C. 1395i(g)), by striking "from the Federal Old-Age and Survivors Insurance Trust Fund and from the Federal Disability Insurance Trust Fund" and inserting

"from the Social Security Escrow Fund";

(II) in section 1817(j)(1) (42 U.S.C. 1395i(j)(1)), by striking "from either the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund" and inserting "from the Social Security Escrow Fund";

(III) in section 1817(j)(3)(B)(i) (42 U.S.C. 1395i(j)(3)(B)(i)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund";

(IV) in section 1817(j)(3)(B)(i) (42 U.S.C. 1395i(j)(3)(B)(i)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund";

(V) in section 1817(j)(5)(B)(i) (42 U.S.C. 1395i(j)(5)(B)(i)), by

striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund";

(VI) in section 1817(j)(3)(B)(ii) (42 U.S.C. 1395i(j)(3)(B)(ii)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and inserting "the Social Security Escrow Fund";

(VII) in section 1817, by adding at the end the following new subsection:

"(l) TRANSFERS FROM SOCIAL SECURITY ESCROW FUND.—There are hereby transferred periodically to the Trust Fund from the Social Security Escrow Fund amounts provided under section 201(d)(1)(C).";

(VIII) in section 1840(a)(2) (42 U.S.C. 1395s(a)(2)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and

inserting "the Social Security Escrow Fund"; and

(IX) in section 1841(f) (42 U.S.C. 1395t(f)), by striking "from the Federal Old-Age and Survivors Insurance Trust Fund and from the Federal Disability Insurance Trust Fund" and inserting "from the Social Security Escrow Fund".

(v) AMENDMENTS TO THE RAILROAD RETIREMENT ACT OF 1974.—Section 7 of the Railroad Retirement Act of 1974 (45 U.S.C. 231e) is amended—

(I) in subsection (b)(2) (45 U.S.C. 231e(b)(2)), by striking "the Managing Trustee of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund" and inserting "the Secretary of the Treasury";

(II) in subsection (c)(2) (45 U.S.C. 231e(c)(2)), by striking "the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the

Federal Hospital Insurance Trust Fund would place each such Trust Fund'' and inserting ''either of the trust funds consisting of the Social Security Escrow Fund and the Federal Hospital Insurance Trust Fund would place such trust fund'', by striking ''from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or the Federal Hospital Insurance Trust or to any such Trust Fund'' and inserting ''from the Social Security Escrow Fund or the Federal Hospital Insurance Trust Fund or to either such trust fund'' and by striking ''Trust Fund'' each other place it appears and inserting ''trust fund''; and

(III) in subsection (c)(4) (45 U.S.C. 231(c)(4)), by striking ''the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust

Fund" and inserting "the trust funds consisting of the Social Security Escrow Fund and the Federal Hospital Insurance Trust Fund", and by striking "Trust Funds" each place it appears and inserting "trust funds".

(vi) RULE OF CONSTRUCTION.—Whenever any reference is made in any provision of law (other than this title or a provision of law amended by this title), regulation, rule, record, or document to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, or both such Trust Funds, such reference shall be considered a reference to the Social Security Escrow Fund.

(c) AMOUNTS DEDUCTED TO BE SHOWN ON W–2 STATEMENTS.—Subsection (a) of section 6051 of the Internal Revenue Code of 1986 (relating to receipts for employees) is amended—

(1) by striking `and' at the end of paragraph (8);

(2) by striking the period at the end of paragraph (9) and inserting ", and"; and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) the total amount deducted from the employee's wages under a social security payroll deduction plan established under part B of title II of the Social Security Act.".

(d) EXEMPTION FROM ERISA REQUIREMENTS.—Subsection (b) of section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003(b)) is amended—

(1) by striking "or" at the end of paragraph (4);

(2) by striking the period at the end of paragraph (5) and inserting "; or"; and

(3) by adding at the end the following new paragraph:

"(6) such plan is a social security payroll deduction plan established under part B of title II of the Social Security Act.".

(e) COMPENSATION OF PERSONAL ACCOUNTS MANAGEMENT AND REVIEW BOARD.—

(1) COMPENSATION OF CHAIRMAN.—Section 5314 of title 5 of the United States Code (relating to positions at level III of the Executive Schedule) is amended by adding at the end the following "."

"Chairman, Personal Accounts Management and Review Board.".

(2) COMPENSATION OF INDEPENDENT TRUSTEES.—Section 5315 of such title 5 (relating to positions at level IV of the Executive Schedule) is amended by adding at the end the following:

"Independent Trustee (other than Chairman), Personal Accounts Management and Review Board.".

(f) CONFORMING AMENDMENTS.—Section 201(h) of such Act (42 U.S.C. 401(h)) is amended—

(1) by striking "All other" in the second sentence and inserting "Except as provided in section 256, all other"; and

(2) by adding at the end the following new sentence: "Any reference in this part to benefits under this title shall be deemed a reference to benefits entitlement to which arises under this part.".

(g) EFFECTIVE DATE.—The amendments made by this section shall take effect January 1 of the calendar year following the date of the enactment of this Act.

SEC. 3. MEDICARE PROGRAM REVISION.

(a) IN GENERAL.—Title XVIII of the Social Security Act is amended by inserting after section 1808 the following new section:

"MEDICARE PROGRAM REVISIONS IN CONNECTION WITH ESTABLISHMENT OF PERSONAL SOCIAL SECURITY ACCOUNTS

"SEC. 1809. (a) PHASE-IN OF INCREASED COINSURANCE.—

"(1) IN GENERAL.—Notwithstanding any other provision of law, there is hereby imposed, with respect to the amount of benefits for items and services furnished in a year (beginning with 2032) under this title, coinsurance in the participation percentage specified in paragraph (2) for the year. Such coinsurance shall apply after the application of any cost-sharing (including deductibles and copayments) that are otherwise applicable under this title.

"(2) PARTICIPATION PERCENTAGE.—The participation percentage for any year shall be determined in accordance with the following:

"Participation percentage	Year
2.00 percent	2032
4.00 percent	2033
6.00 percent	2034
8.00 percent	2035
11.00 percent	2036
14.00 percent	2037
17.00 percent	2038
20.00 percent	2039
24.00 percent	2040
28.00 percent	2041
32.00 percent	2042
36.00 percent	2043
40.00 percent	2044
45.00 percent	2045
50.00 percent	2046
55.00 percent	2047

60.00 percent	2048
65.00 percent	2049
70.00 percent	2050
75.00 percent	2051
80.00 percent	2052
85.00 percent	2053
90.00 percent	2054
95.00 percent	2055
100.00 percent	2056

"(b) RULES RELATING TO APPLICATION OF ADDITIONAL COINSURANCE.—

"(1) PART D.—In applying subsection (a) under part D (and under part C to MA–PD plans)—

"(A) the standard prescription drug coverage under section 1860D–2(b) shall be modified through the application of the additional coinsurance under subsection (a); and

"(B) in applying section 1860D–14, such coinsurance shall be treated as beneficiary coinsurance described in section 1860D–2(b)(2).

"(2) MEDICARE SAVINGS PROGRAM.—In applying title XIX, the additional coinsurance under subsection (a) shall be treated as coinsurance described in section 1905(p)(3)(B).

"(3) MEDIGAP.—The benefits required of medicare supplemental policies under section 1882 shall be determined without regard to such additional coinsurance and no payments shall be made under such a policy for such additional coinsurance.

"(4) GROUP HEALTH PLANS.—Unless otherwise specifically provided after the date of the enactment of this section, no provision of any group health plan that refers to coinsurance or cost-sharing under this title shall be treated as including such additional coinsurance.

"(5) COVERAGE.—Nothing in this section shall be construed as preventing the payment of additional coinsurance under subsection (a) from being made—

"(A) from proceeds from a personal social security account under section 252; or

"(B) from coverage under a high deductible health plan (as defined in section 223(c)(2) of the Internal Revenue Code of 1986) or under any other health policy or plan, other than a medicare supplemental policy.

"(c) LIMITATION ON REELECTION OF PART B OR PART D COVERAGE.—On or after January 1, 2032, if an individual is eligible for coverage under part B or part D and—

"(1) does not elect such coverage, or

"(2) elects such coverage and subsequently change the election so as to no longer have such coverage,

such an election shall be irrevocable and the individual may not subsequently elect the respective coverage.''.

(b) REQUIREMENT FOR HIGH DEDUCTIBLE INSURANCE FOR MEDICARE RETIREES.—

(1) IN GENERAL.—For each month (beginning with January following the period of 25 calendar years following the date of the enactment of this Act) in which an individual is 65 years of age or older and is eligible for benefits under part A, or to enroll for benefits under part B, of title XVIII of the Social Security Act, the individual is required to be enrolled under a high deductible health plan (as defined in section 223(c)(2) of the Internal Revenue Code of 1986) or under another health benefits plan that includes benefits at least as comprehensive as those provided in such a high deductible health plan.

(2) IMPOSITION OF TAX ON FAILURE TO OBTAIN COVERAGE.—Subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new part:

''PART VIII—TAX ON FAILURE OF MEDICARE RETIREES TO OBTAIN QUALIFIED HEALTH INSURANCE COVERAGE

''Sec. 59B. Failure of Medicare retirees to obtain qualified health insurance coverage.

"SEC. 59B. FAILURE OF MEDICARE RETIREES TO OBTAIN QUALIFIED HEALTH INSURANCE COVERAGE.

"(a) IN GENERAL.—In the case of any individual who is eligible for benefits under part A, or to enroll for benefits under part B, of title XVIII of the Social Security Act, there is hereby imposed a tax with respect to each month beginning in the taxable year with respect to which such individual is not covered under qualified health insurance at all times during such month.

"(b) AMOUNT OF TAX.—The tax imposed under subsection (a) with respect to any individual for any month shall be equal to the greater of—

"(1) the amount determined by the Secretary of Health and Human Services to be equal to the cost of coverage under a high deductible health plan for such month, or

"(2) 1/12 of the increase in such individual's tax liability which would occur under section 1 for the taxable year in which such month begins if section 139B did not apply for such taxable year.

"(c) EXCEPTION FOR MONTHS BEFORE INDIVIDUAL ATTAINS AGE 65.—Subsection (a) shall not apply with respect to any individual for any month unless such individual has attained age 65 as of the first day of such month.

"(d) QUALIFIED HEALTH INSURANCE.—For purposes of this section, the term 'qualified health insurance' means a high deductible health plan (as defined in section 223(c)(2) of the Internal Revenue Code of 1986) or another health benefits plan that includes benefits at least as comprehensive as those provided in such a high deductible health plan.".

(3) NOTIFICATION OF TREASURY BY HHS OF FAILURES.—If the Secretary of Health and Human Services determines that an individual has failed to meet the requirement of paragraph (1) for a month, the Secretary shall inform the Secretary of the Treasury of such fact.

(4) AVAILABILITY OF TAX RECEIPTS.—Amounts collected under section 59B of the Internal Revenue Code of 1986 shall be deposited into an account in the Treasury that shall be available to the Secretary of Health and Human Services to reimburse hospitals and other health care providers for bad debts related to the provision of health care services to individuals with respect to whom a tax is imposed under such section.

SEC. 4. EMPLOYMENT TAXES, TAX ON SELF-EMPLOYMENT INCOME.

(a) FICA TAX ON EMPLOYERS.—Section 3111 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(d) REDUCTION IN RATE OF TAX TO REFLECT FUNDING OF SOCIAL SECURITY ESCROW FUND.—

"(1) IN GENERAL.—If the Secretary makes the certification described in paragraph (2) in any calendar year, the rate of tax imposed by subsection (a) shall be reduced by the Secretary for the next calendar year to a rate such that—

"(A) the Social Security Escrow Fund is projected not to have excess funds during such next calendar year, and

"(B) the rate of tax imposed by section 1401(a) is equal to the sum of the tax imposed by subsection (a) and section 3101(a).

"(2) CERTIFICATION.—If in any calendar year the Social Security Escrow Fund is projected—

"(A) to have excess funds during the next calendar year, and

"(B) to have no need to borrow funds for the next 10 calendar years,

then the Secretary shall certify such projection not later than September 30th of calendar year in which such projection was made.

"(3) EXCESS FUNDS.—For purposes of this subsection, the term 'excess funds' means that the Social Security Escrow Fund will not have a balance below $100 billion at any time during the calendar year.".

(b) TAX ON SELF-EMPLOYMENT INCOME.—Section 1401 of such Code is amended by adding at the end the following new subsections:

"(d) REDUCTION IN RATE OF TAX TO REFLECT FUNDING OF SOCIAL SECURITY ESCROW FUND.—

"(1) IN GENERAL.—If the Secretary makes the certification described in paragraph (2) in any calendar year, the rate of tax imposed by subsection (a) shall be reduced by the Secretary for taxable years beginning in the next calendar year to a rate such that—

"(A) the Social Security Escrow Fund is projected not to have excess funds during such next calendar year, and

"(B) the rate of tax imposed by subsection (a) is equal to the sum of the tax imposed by section 3111(a) and section 3101(a).

"(2) CERTIFICATION.—If in any calendar year the Social Security Escrow Fund is projected by the Social Security Administration—

"(A) to have excess funds during the next calendar year, and

"(B) to have no need to borrow funds for the next 10 calendar years,

then the Secretary shall certify such projection not later than September 30th of calendar year in which such projection was made.

"(3) EXCESS FUNDS.—For purposes of the preceding paragraph, excess funds means that the Social Security Escrow Fund will not have a balance below $100 billion at any time during the calendar year.

"(e) REDUCTION IN RATE OF TAX TO REFLECT FUNDING OF PERSONAL SOCIAL SECURITY ACCOUNT.—The amount of the tax which would (but for this subsection) be imposed by subsection (a) on the self-employment income of an individual for a taxable year shall be reduced (but not below zero) by any amount the self-employed individual deposits in the personal social security account of the individual under section 251(b)(1) of the Social Security Act for the taxable year.".

(c) FICA TAX ON EMPLOYEES.—Section 3101 of such Code is amended by adding at the end the following new subsection:

"(d) REDUCTION IN RATE OF TAX TO REFLECT FUNDING OF PERSONAL SOCIAL SECURITY ACCOUNT.—The amount of the tax which would (but for this subsection) be imposed by subsection (a) on the income of any individual for any calendar year shall be reduced (but not below zero) by any amount the employer of such individual pays to the individual's personal social security account under section 251(a)(2)(B) of the Social Security Act for the calendar year.".

(d) SOCIAL SECURITY AND MEDICARE CONTRIBUTIONS NOT REQUIRED WITH RESPECT TO RETIREES.—

(1) Section 3101 of such Code is amended by adding at the end the following new subsection:

"(e) NO FICA TAX WITH RESPECT TO INDIVIDUAL WHO HAS ATTAINED RETIREMENT AGE.—The tax imposed by this section shall not be imposed on the income of any individual who has attained retirement age (as defined in section 216(l) of the Social Security Act).".

(2) Section 3111 of such Code, as amended by this section, is amended by adding at the end the following new subsection:

"(e) NO FICA TAX WITH RESPECT TO INDIVIDUAL WHO HAS ATTAINED RETIREMENT AGE.—The tax imposed by this section shall not be imposed with respect to the wages of any individual who has attained retirement age (as defined in section 216(l) of the Social Security Act).".

(3) Section 1401 of such Code, as amended by this section, is amended by adding at the end the following new subsection:

"(f) NO SECA TAX WITH RESPECT TO INDIVIDUAL WHO HAS ATTAINED RETIREMENT AGE.—The tax imposed by this section shall not be imposed on the self-employment income of any individual who has attained retirement age (as defined in section 216(l) of the Social Security Act).".

SEC. 5. TAX TREATMENT OF DISTRIBUTIONS.

(a) IN GENERAL.—

(1) Paragraph (1) of Section 86(d) of the Internal Revenue Code of 1986 (relating to social security benefit) is amended by adding at the end the following new flush sentence:

"Such term does not include any distribution from a personal social security account or any amount received as an annuity under a qualified social security annuity.".

(2) Part III of subchapter B of chapter 1 of such Code (relating to items specifically excluded from gross income) is amended by inserting after section 139A the following new section:

"SEC. 139B. DISTRIBUTIONS FROM PERSONAL SOCIAL SECURITY ACCOUNTS AND QUALIFIED SOCIAL SECURITY ANNUITIES.

"Gross income shall not include any distribution from a personal social security account or any amount received as an annuity under a qualified social security annuity, including any disinvestment and transfer pursuant to section 252(f) of the Social Security Act.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions and amounts received as an annuity after the date of the enactment of this Act.

SEC. 6. FEDERAL BUDGET REFORMS.

(a) ANNUAL TRANSFER OF BUDGET REFORM AMOUNT.—Not later than November 30 of each calendar year beginning after the date of the enactment of this Act, the Secretary of Treasury shall transfer, from funds available in the general fund of the Treasury to the Social Security Escrow Fund, the budget reform amount (if any) for the fiscal year ending on September 30 of such year. Such budget reform amount for each such fiscal year is

hereby appropriated, and shall remain available without fiscal year limitation, for the purposes set forth in section 252(b)(1)(D) of the Social Security Act (as amended by this Act).

(b) BUDGET REFORM AMOUNT DEFINED.—For purposes of this section, the term "budget reform amount" means, for any fiscal year, any tax revenues received by the Government of the United States during the previous fiscal year in excess of the target revenue amount for such previous fiscal year.

(c) TARGET REVENUE AMOUNT.—For purposes of this section, the target revenue amount for a fiscal year is the amount set forth in connection with such fiscal year in the following table:

For the following fiscal year:	The target revenue amount is:
2006	$1,956,015,000
2007	$2,029,298,000
2008	$2,096,757,000
2009	$2,164,269,000
2010	$2,226,583,000
2011	$2,289,781,000
2012	$2,351,340,000
2013	$2,414,388,000
2014	$2,476,624,000
2015	$2,539,686,000
2016	$2,602,374,000
2017	$2,661,620,000
2018	$2,713,839,000
2019	$2,759,941,000
2020	$2,801,574,000
2021	$2,844,392,000
2022	$2,883,904,000
2023	$2,930,783,000
2024	$2,979,408,000
2025	$3,025,851,000
2026	$3,076,055,000
2027	$3,125,712,000

2028	$3,176,333,000
2029	$3,223,483,000
2030	$3,274,179,000
2031	$3,323,715,000
2032	$3,372,756,000
2033	$3,426,555,000
2034	$3,485,485,000
2035	$3,541,705,000
2036	$3,599,813,000
2037	$3,666,494,000
2038	$3,735,584,000
2039	$3,809,846,000
2040	$3,883,455,000
2041	$3,955,701,000
2042	$4,033,543,000
2043	$4,113,343,000
2044	$4,188,523,000
2045	$4,270,982,000
2046	$4,351,604,000
2047	$4,434,549,000
2048	$4,517,034,000
2049	$4,600,903,000
2050	$4,689,922,000
2051	$4,783,922,000
2052	$4,873,926,000
2053	$4,969,960,000
2054	$5,062,068,000
2055	$5,159,031,000
2056	$5,256,136,000
2057	$5,354,613,000
2058	$5,447,721,000
2059	$5,549,438,000
2060	$5,651,129,000
2061	$5,752,442,000
2062	$5,864,053,000
2063	$5,978,264,000
2064	$6,091,036,000
2065	$6,217,270,000
2066	$6,338,021,000
2067	$6,454,702,000
2068	$6,577,762,000
2069	$6,698,285,000
2070	$6,819,665,000

(d) DEDICATION OF SOCIAL SECURITY SURPLUSES TO REDUCTION IN THE PUBLIC DEBT.—

(1) IN GENERAL.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

"DEDICATION OF SOCIAL SECURITY SURPLUSES TO REDUCTION IN THE PUBLIC DEBT

"SEC. 316. (a) IN GENERAL.—

"(1) CONCURRENT RESOLUTIONS ON THE BUDGET.—It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or an amendment thereto or conference report thereon, that would set forth a deficit for any fiscal year for which there are projected excess assets in the Social Security Escrow Fund.

"(2) SPENDING AND TAX LEGISLATION.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—

"(A) the enactment of that bill or resolution, as reported;

"(B) the adoption and enactment of that amendment; or

"(C) the enactment of that bill or resolution in the form recommended in that conference report,

would cause a deficit for any fiscal year for which there are projected excess assets in the Social Security Escrow Fund.

"(b) ENFORCEMENT.—

"(1) BUDGETARY LEVELS WITH RESPECT TO CONCURRENT RESOLUTIONS ON THE BUDGET.—For purposes of enforcing any point of order under subsection (a)(1), the extent to which there is a deficit for any fiscal year shall be determined on the basis of budgetary aggregates set forth in the later of the concurrent resolution on the budget, as reported, or in the conference report on the concurrent resolution on the budget, adjusted to the maximum extent allowable under all procedures that allow budgetary aggregates to be adjusted for legislation that would cause a decrease in any surplus or an increase in any deficit for any fiscal year covered by the concurrent resolution on the budget (other than procedures described in paragraph (2)(A)(ii)).

"(2) CURRENT LEVELS WITH RESPECT TO SPENDING AND TAX LEGISLATION.—

"(A) IN GENERAL.—For purposes of enforcing subsection (a)(2), the extent to which there is a deficit for any fiscal year shall be—

"(i) calculated using the following assumptions—

"(I) direct spending and revenue levels at the baseline levels underlying

the most recently agreed to concurrent resolution on the budget; and

"(II) for the budget year, discretionary spending levels at current law levels and, for outyears, discretionary spending levels at the baseline levels underlying the most recently agreed to concurrent resolution on the budget; and

"(ii) adjusted for changes in the surplus or deficit levels set forth in the most recently agreed to concurrent resolution on the budget pursuant to procedures in such resolution that authorize adjustments in budgetary aggregates for updated economic and technical assumptions in the mid-session report of the Director of the Congressional Budget Office.

Such revisions shall be included in the first current level report on the congressional budget submitted for publication in the Congressional Record after the release of such mid-session report.

"(B) ADJUSTMENT IN ASSUMED REVENUE LEVELS TO REFLECT PROJECTED EXCESS AS-

SETS IN SOCIAL SECURITY ESCROW FUND.—For any fiscal year for which there are projected excess assets in the Social Security Escrow Fund, the amount of revenue levels assumed under subparagraph (A) shall be reduced, below the amount which would otherwise be assumed but for this subparagraph, by the amount of such projected excess assets.

"(C) EXCESS ASSETS.—For purposes of this paragraph, the term 'excess assets' shall, in connection with any fiscal year, have the meaning provided in 201(d)(3) of the Social Security Act in connection with such fiscal year.

"(c) WAIVER AND APPEAL.—Subsection (a) may be waived or suspended in the Senate only by an affirmative vote of three-fifths of the Members, duly chosen and sworn. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.".

(2) CONFORMING AMENDMENT.—The item relating to section 316 in the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended to read as follows:

"Sec. 316. Dedication of social security surpluses to reduction in the public debt.".

SEC. 7. CHANGE IN CONSUMER PRICE INDEX USED FOR COST-OF-LIVING INCREASES.

(a) IN GENERAL.—Section 215(i)(1)(D) of the Social Security Act (42 U.S.C. 415(i)(1)(D)) is amended by striking "Consumer Price Index" and inserting "Chained Consumer Price Index for all Urban Consumers".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to increases under section 215(i)(2)(A)(ii) of the Social Security Act effective with the month of December of each calendar year beginning after the date of the enactment of this Act.

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